

# VU Research Portal

## **Identities and preferences in corporate political strategizing**

Wilts, A.S.

**published in**  
Business and Society  
2006

**DOI (link to publisher)**  
[10.1177/0007650306293393](https://doi.org/10.1177/0007650306293393)

**document version**  
Publisher's PDF, also known as Version of record

[Link to publication in VU Research Portal](#)

**citation for published version (APA)**  
Wilts, A. S. (2006). Identities and preferences in corporate political strategizing. *Business and Society*, 45, 441-463. <https://doi.org/10.1177/0007650306293393>

### **General rights**

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal ?

### **Take down policy**

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

**E-mail address:**  
[vuresearchportal.ub@vu.nl](mailto:vuresearchportal.ub@vu.nl)

# Business & Society

<http://bas.sagepub.com/>

---

## **Identities and Preferences in Corporate Political Strategizing**

*Business Society* 2006 45: 441  
DOI: 10.1177/0007650306293393

The online version of this article can be found at:  
<http://bas.sagepub.com/content/45/4/441>

---

Published by:



<http://www.sagepublications.com>

On behalf of:



[International Association for Business and Society](#)

**Additional services and information for *Business & Society* can be found at:**

**Email Alerts:** <http://bas.sagepub.com/cgi/alerts>

**Subscriptions:** <http://bas.sagepub.com/subscriptions>

**Reprints:** <http://www.sagepub.com/journalsReprints.nav>

**Permissions:** <http://www.sagepub.com/journalsPermissions.nav>

**Citations:** <http://bas.sagepub.com/content/45/4/441.refs.html>

# Identities and Preferences in Corporate Political Strategizing

Arnold Wilts

*Free University, Amsterdam, the Netherlands*

This conceptual article draws on structuration theory and social identity theory to isolate firm-internal institutionalization processes as antecedents and drivers of corporate political strategizing. Path dependencies in corporate routines and actors' knowledgeability about these path dependencies are singled out as primary factors structuring strategic decision making within the firm. The concepts of *path dependency* and *knowledgeability*, respectively, refer to the institutional and cognitive dimension of *corporate political strategizing*. These two dimensions come together in actors' identities. Identities on their turn shape managers' recognition of policy issues and the interpretation of issue salience relative to corporate interests. Thus, the article argues that institutional features of competitive environments precipitate in processes of identity building and preference formation and are reproduced through organizational routines and practices within the firm.

**Keywords:** *corporate political action; social identity theory; strategy process*

This article conceptualizes processes of identity building and preference formation underlying corporate political strategizing. The article draws on structuration theory (Giddens, 1984) and social identity theory (Albert & Whetten, 1985) to argue that identities and preferences in managerial decision making are antecedents and drivers of corporate political behavior. Path dependencies and actors' knowledgeability about these path dependencies are singled out as primary factors structuring managerial decision making in corporate political strategizing. The concepts of *path dependency* and *knowledgeability* refer to the institutional and cognitive dimension of *corporate political strategizing*, respectively. These two dimensions come together in actors' identities and their identity-related preferences. Identities shape the

---

**Author's Note:** I would like to thank the anonymous reviews of this journal for their many helpful comments and suggestions. Specific thanks also to Jennifer Griffin, Kathleen Rehbein, Mika Skippari, and Harry Sminia.

recognition of policy issues and the interpretation of the salience of these issues to corporate interests by senior executives within the firm. Thus, the article argues that institutional features of competitive environments precipitate in processes of identity building and preference formation and are reproduced through organizational routines and practices within the firm.

The contribution of this article to management literature is twofold. First, building on and extending existing analytical models (Hillman & Hitt, 1999; Schuler & Rehbein, 1997), firm-internal institutionalization processes are isolated and identified as central categories in examining the institutional embeddedness of corporate political action. Second, by focusing on processes of identity building and preference formation, the article frames questions of corporate political action in terms of broad sociological and sociopsychological theories. In doing so, the article takes on two research suggestions that have been put forward in recent literature reviews surveying the development of corporate political action research, namely, to base the analysis of corporate political behavior on fundamental insights from social science theories (Getz, 2002) and to focus on managerial preferences and decision making as a particularly relevant research topic (Hillman, Keim, & Schuler, 2004, p. 851).

The argument of the article follows in three steps. First, corporate political action literature is discussed to argue that corporate political behavior is conditioned by institutional characteristics of competitive environments and structured by the organization of strategic decision making within the firm. Second, basic insights from structuration theory are used to conceptualize firm-internal institutionalization processes in relation to the formation of actors' identities and preferences. Third, the article draws on social identity theory to explore the relation between corporate identities and preferences on the one hand and, on the other hand, the identities and preferences of individual executives within the firm. This leads to several propositions about the relations between actors' knowledgeability and path dependencies in managerial routines. These propositions can be developed into testable hypotheses for systematically examining processes of identity building and preference formation in corporate political strategizing. Further research questions that follow from this argument are discussed in the last section of the article.

## Corporate Political Action

Competitive strategies of business firms are institutionally embedded in different market structures and political and regulatory arrangements

(Granovetter, 1985). Because of this embeddedness, the involvement of firms in political decision making varies over time and across markets (Aggarwal, 2001; Aguilera & Jackson, 2003; Griffin, 2005; Hadjikhani & Ghauri, 2001). Corporate political strategies can be used by the firm to change the rules of competition and to try and improve its market position (Mahon & McGowan, 1998). Corporate political actions thus can be understood as institutional strategies that firms can use to realize opportunities and create comparative advantage (Lawrence, 1999). There are two strategy problems associated with this. First, effective political strategizing depends on the ability of the firm to recognize context-specific opportunities to influence public decision making (Keillor, Pettijohn, & Bashaw, 2000). Firms must monitor their environment, recognize policy issues, and assess the salience of these issues relative to their corporate interests. Second, next to recognizing opportunities, the firm must solve the strategy problem of how to integrate its political activities with its market strategies (Baron, 1995). Firms must choose between possible strategies toward public authorities and decide on how to implement them to further their corporate interests.

The choice problem associated to corporate political strategizing has been recognized in the management literature. Hillman and Hitt (1999) put forward a process model of corporate political strategy. In this model, firms choose between transactional or relational approaches toward public authorities and may adopt three different strategies to pursue their policy interests. Firms may provide information to public officials, use financial means to realize political influence, or adopt constituency-building strategies to organize pressure on public decision making. Through these choices for approaches and strategies, Hillman and Hitt argued, firms may adapt their political activities to different environments in ways that best serve their interests.

For instance, in a corporatist environment characterized by relatively high levels of market regulation and the existence of formal structures for business–government interaction, firms are likely to adopt a transactional approach, investing in recurrent interactions with public decision makers (Getz, 1997, p. 50). In a context of formalized business–government interactions, not taking part in the system of exchanging information, mediating interests and supporting the creation of public policy would prevent firms from realizing their interests through political means.

In a similar fashion, characteristics of parliamentary systems will require firms to adapt their political strategies. Hillman and Keim (1995), for instance, argued that in the United States, given the country's political

culture and electoral system, firms are more likely to be overtly political when interacting with government. In addition, the use of financial incentive strategies—such as in the context of political action committees—is common in a U.S. context (Lord, 2003; Mitchell, Hansen, & Jepsen, 1997). However, these strategies may not be as effective elsewhere. This is illustrated by corporate lobbying in the European Union (EU; Calingaert, 1993). In the political system of the EU, providing information in many ways is the only reliable strategy for acquiring access to public decision makers (Bouwen, 2002). The strategy problem in EU lobbying does not so much concern the question of which strategies to use but rather the question of how and when to use information strategies (Taminiau & Wilts, 2006). In addition, and regardless of their size and economic importance, realizing influence on EU policy making in most cases requires firms to join forces and adopt collective strategies (Beyers, 2004; Greenwood, 1997). This makes constituency-building strategies through industry associations more important and illustrates that the institutional organization of business–government interaction in the EU for most firms involves a collective action problem.

Engaging in political action thus means that firms must carefully monitor their environment to find ways to translate their economic interests into aims and goals of corporate political action. Firms differ in the way they solve this strategy problem. Some firms are better able than others to organize their internal decision-making process effectively to cope with the different and possibly contradictory requirements imposed on their strategies when they are moving through different competitive environments (Griffin & Dunn, 2004). Other firms will achieve more efficiency in coordinating their activities and strategy decisions across their organization (Whitley, 2003). Still others will have information mechanisms in place that allow them to be better informed about political developments and able to anticipate more quickly on changing circumstances and/or policy initiatives (Hadjikhani & Ghauri, 2001). There will also be firms that, compared to their rivals, control more relevant resources such as network contacts or forms of political capital (Oberman, 1993). Finally, some firms will be more motivated to monitor their political environment for opportunities to realize competitive advantage (Yoffie & Bergenstein, 1987), where others may perceive political developments not as an opportunity but instead as a threat to their corporate interests (Baysinger, 1984).

Hillman and Hitt's (1999) process model of corporate political strategy thus points to the importance of strategic-choice and firm-internal decision making. The firm-internal dimension of corporate political strategy is of

central importance in Schuler and Rehbein's (1997) filter model of corporate political action. Schuler and Rehbein argued that the influence of external characteristics such as regulatory pressures and industrial organization are mediated by the firm's organizational structures, resources, and competencies. Firms need to control resources such as relational skills and political-administrative expertise to be able to realize influence on public decision making (Dahan, 2005). However, in addition to this, Schuler and Rehbein (1997, p. 126) point out that "information, beliefs and aspiration levels" of the firm structure the use of these resources. Allocation decisions by managers are made based on cost-benefit analyses, and these underlie decisions to develop political strategies (McWilliams, Van Fleet, & Cory, 2002). It follows that resource availability alone cannot explain corporate political behavior but that decision-making routines play an important role in this as well.

The idea that the firm-internal dimension, in particular, knowledge, practices, and routines, conditions corporate political activities goes back to Cyert and March's behavioral theory of the firm. Concentrating on economic choice and rationality, in this approach the dynamics of corporate decision making are central. For instance, March (1962) defined the *firm* as a set of political coalitions between firm members and uses this definition to argue that different sorts of coalitions will develop within different firms. Hence, firms will vary in terms of the effectiveness of their strategic decision making, and they are likely to display different strategic behaviors. Because it focuses on the firm-internal process of decision making, the behavioral theory of the firm includes organizational cultures and routines and managers' attitudes, personal preferences, and ambitions into the analysis of corporate political behavior (Hart, 2004). These attitudes, preferences, and ambitions are reflected in the firm's choices for corporate political strategies.

The discussion in this section thus leads to two observations that are relevant to the research question of this article. First, Hillman and Hitt's (1999) process model of corporate political strategy points to the importance of strategic choice and managerial decision making. Choices for corporate political strategies and their adjustment to institutional features of competitive environments are actively shaped within the firm. Second, Schuler and Rehbein's (1997) filter model of corporate political action leads to the recognition that organizational practices and routines structure processes of strategic choice and decision making. The routines and practices of managerial decision making condition the way choices for corporate political strategies are shaped.

## Routines and Practices

The institutional embeddedness of organizational practices can be analyzed using basic insights from structuration theory. Giddens's (1984) theory of structuration focuses on "social practices ordered across time and space" (p. 3). This abstract principle translates into a concrete research interest into routines and patterns in sequences of social action, taking place in specific institutional contexts (Barley & Tolbert, 1997). This pertains to corporate strategy in two related ways. First, the firm is a corporate actor, and its interactions with other organizations are embedded in institutional structures—the structures of markets and of nonmarket environments (Boddewyn, 2003). Second, firm-internal decision making about corporate strategy is a sequence of social action itself and, therefore, is embedded in institutional structures within the firm—for example, the structures of decision-making routines and managerial practices (Fligstein, 1990). Analyzing corporate political action, therefore, requires two different foci: one on interorganizational relations and linkages, the other on the firm-internal strategizing process.

To overcome the dualism between structure and agency, Giddens (1984, p. 25) used the concept of the *duality of structure*. This concept denotes that structure is a condition for action and the outcome of action. Because environments are structured and do not change at random, actors are able to anticipate developments, perceive opportunities, and develop strategies to realize these opportunities. This is the enabling aspect of structure. At the same time, structure has a constraining aspect. Because environments are structured, not everything is possible all the time. Actors are faced with rules and with resource limitations that combine to limit their range of feasible options (Giddens, 1979, pp. 68-69). Not all aims and goals of strategic action will be deemed equally feasible by actors, and hence in given circumstances some strategic choices are more likely than others.

Corporate strategy is intentional action by firms and as such underlies the duality of structure (Pozzobon, 2004). This means that market structures and the institutional characteristics of nonmarket environments make corporate strategy possible in some directions, while constraining it in others; that is, given institutional circumstances some strategies and tactics are more probable than others. The existence of established practices and ways of conduct structures changes in interorganizational relations (Marchington & Vincent, 2004). These relations are institutionally integrated and, therefore, can only change in a path-dependent manner. For instance, corporate actions are partly structured by notions of what legitimate and generally



acceptable business action is (Aldrich & Fiol, 1994). This constrains business action as not all strategic choices will be possible—for instance, the choice to bribe government officials or to deceive the company's shareholders. However, at the same time this enables the firm to interact with organizations such as social pressure groups, nongovernmental organizations (NGOs), public authorities, and government agencies. In interacting with these organizations, firms may seek to enhance the legitimacy of their operations in ways that support their performance and survival (Oliver, 1997).

An important observation of structuration theory is that actors are knowledgeable and motivated; that is, that they are able to reflect on the reasons and circumstances of their interactions with others (Giddens, 1979, chap. 2). Actors—either explicitly or tacitly—hold knowledge about the conditions and consequences of their actions. This holds *a fortiori* for corporate strategy as strategizing is a conscious, or cognitive, process *per se*. Developing and implementing strategies requires firms to constantly monitor their environment, to reflect on the use of particular tactics to achieve desired outcomes, and to keep a close eye on their rivals' actions—which may, for instance, compete with the firm for influence on public decision making.

Using structuration theory to conceptualize corporate political strategizing leads to the conclusion that firms are able to develop strategies because they are knowledgeable about the rules and resources that they can use to realize their corporate interests. This holds for established firms and for new business ventures (Jack & Anderson, 2002). It is because firms are embedded in various market and nonmarket structures that they can seek and realize opportunities—that they can strategize for opportunities. For instance, without the emergence of market prices firms would not be able to calculate and compare the costs and benefits of resource allocation decisions; without the existence of unambiguous legal rules, the firm would not be in a position to know whether and when it complies to the law; without the establishment of social norms, the firm could not assess whether its strategies are socially responsible or not; and without the existence of regulatory arrangements, the firm would not be able to recognize opportunities to further its economic interests through political action.

Firms' knowledge about the institutional characteristics of their competitive environments structures corporate strategizing toward other organizations such as rivals, collective interest associations, regulatory authorities, or government agencies. Their interactions with these organizations yield concrete incentives for firms to strive for particular goals and offer them specific opportunities for realizing their corporate interests. In the context of the institutional organization of their market and nonmarket environment,

therefore, firms will develop different understandings of what their corporate goals and interests should be and of how these goals and interests can best be realized (Mayntz, 1997). These different understandings constitute the firm's perceived self-interest and become manifest in the corporate preferences revealed by their choices for certain strategies and tactics to try and influence public decision making.

In terms of Hillman and Hitt's (1999) process model of corporate political strategy, firms may choose different paths through the decision-tree model of relational and transactional approaches and information, financial, and constituency-building strategies. However, firms can only choose these paths when decision makers within the firm know which policy outcomes to prefer. Senior management must know which political solutions will best fit their firm's corporate interests, and this information is necessary to make adequate resource allocation decisions (Schuler & Rehbein, 1997). The choices underlying corporate political strategizing can only be made based on preferences that allow the firm to differentiate between desired outcomes and realized outcomes, between the intended and unintended outcomes of their attempts to influence public decision making. Firms can only develop these preferences with knowledge about their market and non-market environments and based on some form of self-understanding of their role toward the policy process. Corporate political strategizing, that is, involves choice. These choices can only be made based on preferences to distinguish between feasible strategic options in the light of desired outcomes. This means that corporate political strategizing is structured by two related processes of identity building and preference formation.

## Identities and Preferences

Processes of identity building and preference formation are of central concern in social identity theory (Brown, 2000). Work in this field has demonstrated the central importance of identity in the way social relations among organizations and within organizations are structured. *Identity* is defined as continuous self-categorization; it combines actors' beliefs, norms, and interests; it structures the set of feasible options in the actor's solution set and thereby enables the actor to strategize; it is a social structure because it is developed, reproduced, and changed in ongoing social relations between actors; and it is an institutional feature because, given its relational nature, it cannot be changed at will and acts as a constraint to stabilize expectations of interaction partners.

Identities enable strategic behavior because they make courses of action relatively predictable, thus encouraging commitment, reducing uncertainty, and allowing actors to build up knowledge about the conditions and consequences of their actions. At the same time, identity building constrains these actions because it creates path dependencies by limiting the range of feasible options that actors may choose from—or are most probable to choose from (Howard-Grenville, 2005). It is in terms of their identity that actors perceive opportunities and threats, set goals for strategic behavior, assess the appropriateness of particular strategies and tactics, and evaluate the intended and unintended outcomes of their actions (Scharpf, 1997, p. 65). Applied to questions of corporate political strategy, it is the identities of firms that structure their perception of opportunities associated to political action and that condition their choices for particular approaches and strategies to realize influence on public decision making.

There are two ways, then, in which the concept of *social identity* is relevant to the study of corporate political action. First, identity reflects the “central character” of the firm, distinguishes the firm from its competitors, and expresses the continuity in corporate actions over time (Albert & Whetten, 1985, p. 265). This directly pertains to the identities that firms build up when interacting with public authorities and other organizations in their regulatory and political environment. When interacting with these organizations, firms cannot fall back on market activities to express their preferences and, therefore, in many ways must rely on their reputation and credentials as reliable interaction partners. Second, identity is a “motivator and product” of managerial behavior (Haslam, Postmes, & Ellemers, 2003, p. 359). Managers’ perception of their organization and their interpretation of corporate interests shape their behavior and are expressed in the strategizing process taking place within the firm (Meyer, Tsui, & Hinnings, 1993). This, too, is relevant to questions of corporate political action. In the case of small firms, for instance, the personal outlook of the CEO greatly influences the firm’s political actions (Cook & Barry, 1995). Also in larger firms the role of individual managers (Wilson & Millman, 2003) and the composition of boards of directors and top management teams affect corporate political behavior (Ambrosini & Bowman, 2003).

*Identity* is a social construct because the process in which it emerges is relational (Ashforth & Mael, 1989). Identities, collective and individual, result from comparisons that actors continuously make with others in the case of ongoing—or recursive (Barley & Tolbert, 1997)—interactions. It is through two interaction processes, therefore, the one within the firm (Hatch & Schultz, 2002), the other between the firm and its stakeholders (Scott &

Lane, 2000), that organizational identities are formed and processes of identification take place. This means that the organization, frequency, and intensity of the firm's interactions with other organizations structure the firm's understanding of its role toward the policy process and its perception of feasible options to realize the opportunities associated to political action. At the same time, the organization, frequency, and intensity of interactions between managers within the firm affect the extent to which corporate identities structure managerial decision making regarding the salience of policy issues and the way the firm should respond to these issues.

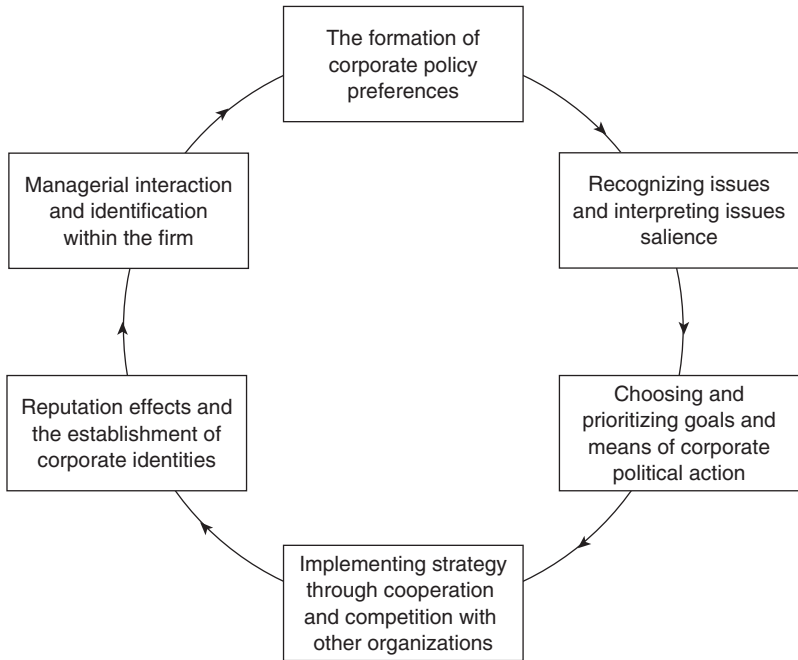
Introducing notions of identity building and, closely related to this, of preference formation enables us to isolate firm-internal institutionalization processes as explanatory factors in examining corporate political behavior. As composite actors, made up of networks of interaction among organization members, firms have a capacity for strategic action that goes beyond that of individual managers in their decision-making structures (Mayntz & Scharpf, 1995). At the same time, firms depend on interaction with other organizations to realize their strategic goals and objectives. These can be cooperation partners or rivals; however, in either case the firm must adjust its political strategies to the activities of other organizations operating in its policy environment.

Analytically, this means there are two interaction processes that structure corporate political action (Figure 1). First, interaction between senior managers in the firm's decision-making structure must lead to the recognition of policy issues and their salience to corporate interests. Management must also recognize preferred ways of acting on those issues to realize opportunities associated with political action. Second, tactics and strategies aimed at realizing these opportunities need to be implemented through interaction between the firm and other organizations—such as competitors, trade associations, regulatory agencies, or government authorities. Interactions with these organizations on its turn will affect the reputation and corporate identity of the firm, and this will structure subsequent steps of corporate political strategizing within the firm.

## Examining Corporate Political Strategizing

Thus far, the article has argued that processes of identity building and preference formation are institutional processes that underlie corporate political strategizing. To start examining empirically how identities and

**Figure 1**  
**Interaction Processes in Corporate Political Strategizing**



preferences structure the political strategy choices of firms, this section specifies 12 propositions. These propositions address the constraining and enabling aspects of identities and preferences. They focus on path dependencies in the development of identities and preferences and on how these path dependencies relate to actors' knowledgeability. Extending the argument of the previous sections, the propositions respectively refer to corporate identities, managerial identities, and decision-making preferences in corporate political strategizing. This gives rise to a number of empirical research questions that are relevant when developing the propositions of this article into testable hypotheses. These further research questions are discussed in the last section of the article.

## Corporate Political Identities

Effective corporate political strategizing requires the firm to develop a political identity, an understanding of itself as an actor that is able to achieve competitive goals through political means. Firms need to learn to see themselves as actors with political interests before they are able to establish preferred ways of realizing the opportunities associated to political action. A corporate political identity is a prerequisite for developing the policy preferences without which corporate political strategizing is not possible. At the same time, the political identity of the firm is an outcome of its political actions. The firm can only implement its political tactics and strategies through patterned interaction with other organizations in its policy environment, and it is through this process that corporate political identities are formed and reproduced.

A first factor explaining corporate political behavior, therefore, is the corporate political identity of the firm. Its identity will make the firm's actions more or less predictable. This stabilizes the expectations that other organizations such as public authorities and government agencies may have about how and when the firm may try to achieve influence on public decision making. In the light of these expectations, firms may develop into reliable interaction partners in policy networks (cf. Coen, 1997). In addition, for instance, firms may be recognized by their rivals as reliable or trustworthy interaction partners when developing collective political strategies—such as when rivals need to mutually adjust their interests within business associations (Knoke, 1990). It follows that the more the firm is embedded in networks of interactions with these other organizations and the more its political actions are entrenched in the context of interorganizational relations and linkages, the more structured—in the constraining and the enabling sense—the firm's room for maneuvering in its policy environment will be (see Lamberg, Skippari, Eloranta, & Mäkinen, 2004).

An important analytical dimension of corporate political action, therefore, is the information that other organizations such as rivals, public authorities, and government agencies have about the firm's past behavior. Related to this, a second analytical dimension is the extent to which the firm may attempt to change the expectations that other organizations have about its behavior and intent. Corporate political strategizing, after all, underlies the duality of structure. This means that strategic choices of the firm are conditioned, not determined by expectations of other organizations in its policy environment. Despite being institutionally embedded, and despite its political strategizing being subject to path dependencies, the firm

has room for agency. The firm may try and change its embeddedness in its policy environment. The firm may build new relations with other organizations, it may try and change existing relations, and it may strive to change the attitudes and expectations that other organizations have toward it.

This leads to four propositions that capture the tension between the path dependencies inherent to the development of corporate political identities and, on the other hand, the knowledge of the firm about these dependencies, on the basis of which it can strategize and try and change its network of interorganizational relations and linkages with others operating in its policy environment.

*Proposition 1a:* The more the firm's political strategies are embedded in networks of interorganizational relations and linkages, the more established the corporate political identity of the firm will be.

*Proposition 1b:* The more the firm's political strategies are embedded in networks of interorganizational relations and linkages, the more the firm's feasible set of policy options will be structured by the expectations of other organizations in its policy environment.

*Proposition 1c:* The more the firm's political strategies are embedded in networks of interorganizational relations and linkages, the better the firm will be informed about other organizations' goals and objectives.

*Proposition 1d:* The more the firm's political strategies are embedded in networks of interorganizational relations and linkages, the better the firm will be able to decide whether to adjust to or try and change the expectations of other organizations in its policy environment.

A first focus in examining corporate political action along the lines suggested in this article, then, is on the expectations that other organizations have about the firm's behavior and, second, on the attempts of the firm to adjust to or try and change these expectations; that is, examining corporate political action should start with mapping out the firm's network of interorganizational relations and linkages, the durability of these relations and linkages, and the knowledgeability of other organizations about the political strategies of the firm. Closely related to this, examining the firm's political activities needs to include the extent to which—and the manner in which—the firm may strive to change its external relations and manage other organizations' expectations. This includes the way the firm develops cooperative or competitive strategies toward its rivals. Implied by this is that analyzing corporate political action should not be restricted to examining interactions between the firm and public authorities and government agencies.

## Managerial Identities

Individual managers within firms will varyingly identify with their organization, and this is reflected in their different behaviors and choices (Fiol, 1991).<sup>1</sup> Identification within the firm results from interaction between senior executives, who are involved in the formation of corporate strategy toward organizations such as rivals, trade associations, public authorities, government agencies, and so on. To represent their corporate interests toward these other organizations, managers need to identify with the goals and objectives of their company. Individual perceptions of corporate strategy are an important aspect of strategy formation within firms because one of the main tasks of management is to define organizational characteristics and to uphold the corporate identity of the firm (Albert & Whetten, 1985).

Depending on organizational characteristics, processes of identification will result in different degrees of congruence between individual and collective identities (Foreman & Whetten, 2002). This structures managers' commitment to corporate goals and priorities and conditions the beliefs and cognitive orientations they bring into managerial decision making about approaches and strategies of corporate political action. The concepts of *identity* and *identification* refer to institutionalization processes in relation to the beliefs, commitment, and cognitive capacities of managers. These concepts thus capture the basic tension between structure and agency within the firm, between organizational context and managerial decision making (Albert, Ashforth, & Dutton, 2000).

Managers' identities and identification processes within the firm structure corporate political strategizing. The extent to which managers identify with the corporate identity of their company may differ and will affect managers' actions, their corporate leadership, and the way they organize collaborative and subordinate relations within the firm (Svenningsson & Alvesson, 2003). Managerial identities thus structure political strategy decisions. They also affect the way managers connect their choices for political strategies with managerial decision making elsewhere in the firm. Identities are important in managerial behavior and affect how group relations within firms are formed and information exchanges organized. This means that the integration of, for instance, market strategies and political strategies within managerial decision making is structured by identities and identification processes.

Identification processes within the firm may produce tensions between corporate identities and individual identities. These tensions may be constructive when they stimulate managers to be creative and ambitious (Hamel & Prahalad, 1993). However, they may also lead to conflict and prevent managers



from developing new ideas about preferred goals and means in corporate political strategizing. The degree to which managers identify with their firm's political identity, therefore, will affect corporate political behavior. This leads to the following propositions:

*Proposition 2a:* The stronger managers identify with their firm's corporate political identity, the more managers' set of feasible policy options in political strategizing will be structured by corporate political interests.

*Proposition 2b:* The stronger managers identify with their firm's corporate political identity, the more commitment to and cognitive orientation toward their firm's political goals and objectives they will have.

*Proposition 2c:* The stronger managers identify with their firm's corporate political identity, the more managerial identities in corporate political strategizing will be shared.

*Proposition 2d:* The stronger managers identify with their firm's corporate political identity, the more support political strategy decisions will have within the firm.

Next to interorganizational relations and linkages, examining corporate political behavior along the lines of the argument of this article, then, should focus on intraorganizational exchanges, that is, firm-internal information flows, on the development of commitment and cognitive orientations of managers, on the role of trust and legitimacy in managerial decision making, and on leadership styles and modes of conflict resolution in corporate political strategizing. Examining these factors in relation to processes of identity building and preference formation can explain why, under similar circumstances, firms' corporate political behavior nevertheless may differ.

## Corporate Policy Preferences

In their capacity as actors, firms develop trajectories and histories that structure their future actions and that differentiate them from each other (Albert & Whetten, 1985). Firms will differ internally, that is, they will understand themselves differently, and they will perceive different opportunities for competing or cooperating with others to achieve their goals and objectives through political action. This means that in different competitive environments, and at various points in time, firms will develop different preferences for certain political strategies and policy involvement activities (Martin, 1995). Depending on the firm's self-understanding toward the policy process and its preferred ways of realizing opportunities associated to political action, firms will be varyingly inclined to choose between, for instance, relational and transactional approaches when engaging in political

action. Based also on their political identity and its related preferences, firms will try to combine various tactics and strategies so that empirical combinations between generic approaches to corporate political strategy will emerge in the handling of the firm's public affairs and its political relations.

Again referring to Hillman and Hitt's (1999) process model of corporate political strategy, firms will develop different preferences for relational and transactional approaches and information, financial, and constituency-building strategies. However, the range of feasible options in shaping policy preferences within the firm is limited, or structured (Mayntz, 1997, p. 176). Firms are not free to choose their preferences. Instead, these preferences are related to their corporate identities and shaped in managerial decision making. The recognition of policy issues and the interpretation of their salience to corporate interests is the result of interaction between the firm's senior executives. These managers make allocation decisions. They balance the costs of developing particular political strategies against the expected contribution of these strategies to the firm's performance and survival. Senior managers control the resources that are necessary for developing political strategies next to, and in support of, the firm's market strategies.

Managerial allocation decisions translate directly into strategic choices and hence into corporate strategy. Developing political strategies requires managers to reach agreement on the relevance of political strategies. Issues that emerge in the firm's policy environment need to be "collectively recognized" as salient to the firm's interests (Dutton & Dukerich, 1991, p. 518). Identities shape the recognition of issues and the assessment of issue salience in corporate political strategizing; however, it is decision-making routines that determine how the firm will act on the recognition of salient issues. It is through the firm's routines and decision-making procedures that preferences for corporate political strategy are formed. This leads to the third set of propositions of this article:

*Proposition 3a:* The more corporate political strategizing occurs in established routines and decision-making procedures, the more path dependent the formation of the firm's policy preferences will be.

*Proposition 3b:* The more corporate political strategizing occurs in established routines and decision-making procedures, the more the set of feasible options in political strategizing will be organized around collectively recognized issues.

*Proposition 3c:* The more corporate political strategizing occurs in established routines and decision-making procedures, the more readily senior managers will recognize the salience of policy issues.

*Proposition 3d:* The more corporate political strategizing occurs in established routines and decision-making procedures, the more consistency there will be in managers' political strategy choices.

Managers' choices for particular approaches and strategies to influence public policy reveal the firm's policy preferences. These preferences are related to the political identity of the firm and the extent to which senior managers identify with and categorize themselves in terms of a corporate political identity. Firm-internal exchanges and, in particular, routines and decision-making procedures, structure the process in which corporate preferences for policy outcomes are shaped. It is within these exchanges that the institutional embeddedness of corporate political strategizing is expressed.

## **Identities and Strategic Options**

Becoming part of policy networks and establishing regular contacts with political decision makers stimulates firms to further engage in corporate political action (Hansen & Mitchell, 2000). In the process, firms develop network relations and knowledge that enable them to be better informed about political developments and that allow them to actually influence policy decision making. Firms will be better able to understand their interests and make out their preferences when they are more actively involved in corporate political activities. In turn, a more active policy involvement will contribute positively to the ability of the firm to recognize and prioritize opportunities associated to political action. The more actively firms are involved in political activities, therefore, the more readily they will recognize issues and the better they will be able to develop a recognizable corporate political identity and the more consistent the related set of their policy preferences will be. This will feed back positively on the firm's performance but can also lock the firm into particular ways of doing things, creating established routines and limiting its room for maneuvering in the process. Structural features of the economic and political environment of firms, however, do not directly determine the choice for particular political tactics and strategies. Firm-internal institutionalization processes are an intermediating structure in the development of corporate political strategies. Identification processes and, related to this, routines and decision-making procedures within the firm drive the corporate political strategizing process and hence help explain variation in corporate political behavior.

The propositions about processes of identity building and preference formation as developed in this section connect to the basic premise of structuration theory, namely, that social practices are ordered sequences of subsequent interactions that are constrained and enabled by institutional structures. Examining corporate political strategizing using the propositions will help to explain variation in corporate political behavior across institutional settings and over time.<sup>2</sup> This will contribute to systematically

and comparatively examining the dynamics of corporate political strategizing. However, determining how and when corporate political strategizing is indeed enabled or constrained by processes of identity building and preference formation is an empirical research question. Structure is condition and outcome of action, and the relative impact of its constraining and enabling aspects can only be observed empirically.

## Further Questions

The previous sections of this article argued that institutional features of the policy environment of the firm precipitate in its organizational routines and decision-making practices and structure the development of corporate political identities and policy preferences. The formation of policy preferences is central to the analysis of corporate political action because it is only based on these preferences that firms can choose between different approaches and strategies to influence public decision making. The previous sections further argued that the firm's policy preferences are related to its political identity. Without a basic understanding of its role toward the policy process it is not possible for the firm to recognize preferred ways to realize opportunities associated to political action. This means that institutional features of its environment structure the way in which the firm understands its role toward the policy process and condition the way in which the firm perceives feasible options associated to political action. This conceptual argument leads to a number of further questions for comparative empirical research into the institutional embeddedness of the political activities of business firms and the development of these activities over time.

The first question that follows from the analysis in this article is how corporate political identities form, change, and possibly wane again. This is a fundamental question of corporate political action research; and in trying to answer it, this article argues, we can benefit from integrating concepts from social identity theory into our explanatory models. This can help us to understand why it is that some firms learn to see opportunities to realize competitive advantage through political action where others do not. Understanding processes of identity and preference formation will also help us to recognize the dynamics behind the differentiation of firms' political behavior. The use of concepts such as *social identity*, *group identification*, and, for instance, *identity maintenance strategies* (Brown, 2000) will enable us to raise research questions about processes of growth and the socialization of firms within the rules of interaction held within different policy networks and communities.

The second basic question following from this article's development of the concepts of *political identity* and *policy preference* concerns processes of identification within the firm. Perceiving the firm as a network of interaction between organization members points to the importance of organizational culture and routines in the formation of corporate political strategies. The way in which senior managers reach agreement about what are feasible strategies to realize opportunities associated to political action itself is a political process, taking place within managerial decision making (Fligstein, 2001). This means that firms can differ in terms of the congruence between their internal operations and, on the other hand, processes of public decision making by political authorities and government agencies. This allows us to integrate questions of internal differentiation and the existence of multiple identities within the firm into corporate political action research.

This broadens the scope of corporate political action research because it connects the notion of acting—the active process of corporate political strategizing—with that of being a corporate political actor, trying to realize influence on public decision making. This raises research questions about the relevance of leadership styles and career paths and the educational and professional background of the firm's senior managers (cf. Hillman & Keim, 1995, p. 212). One such question, for instance, is whether public affairs managers display “more corporate citizenship and compliance” (Haslam et al., 2003, p. 361) when their work is more valued within the firm. This would arguably be the case in firms with a strong sense of political identity. Another question is what the conditions are under which managerial identification leads to innovativeness in using and combining political strategies and tactics. Do firms that develop innovative combinations of political activities display certain identity and preference characteristics?

Third, the argument of this article gives rise to the question of the formation of firms' policy preferences, underlying corporate political strategizing. In determining what their corporate interests are, firms develop preferences for certain public policies (Martin, 2002). Firms also develop ideas about preferred ways to try and influence these policies. The process by which policy preferences are formed, however, has not been the topic of corporate political action research. There is not much known about how factors such as hierarchy and leadership, knowledge and information exchanges, and the adjustment between the firm's strategies and the activities of its rivals condition the way policy preferences are shaped. The dynamics of policy preference formation hence is not very well understood. Yet differences in the development of preferred ways of handling public affairs and political questions can explain why some firms rather than others think it is in their particular interest to develop into political actors. Policy

preference formation, therefore, constitutes a central yet underdeveloped problem of corporate political action research.

## Conclusion

This article argued that corporate actors can only become politically active based on some form of self-understanding of their role toward the policy process and, second, by being able to recognize preferred ways to realize opportunities associated to political action. The firm's self-understanding and its strategic assessment of opportunities associated to political action, its political identity and policy preferences, drive corporate political strategizing. This means that different processes of identity building and preference formation across firms explain empirical variation in corporate political behavior. Thus, the article argued that corporate political action is conditioned by institutional characteristics of political environments and structured by the organization of strategic decision making within the firm. Corporate political identities and policy preferences are molded by the external environment of the firm, internalized within its operations, and expressed in corporate political behavior. Identities and preferences thus constitute two basic categories in the analysis of corporate political strategizing.

## Notes

1. This was also observed by Pfeffer & Salancik (1978, p. 74), who argued that key decision makers within organizations have different social and informational resources at their disposal and, therefore, are likely to orient their managerial work to varying goals and priorities.

2. To date, there are not many studies available that explicitly focus on the development of corporate political action over time. A notable exception is the work of Skippari (2005) who provided a unique longitudinal analysis of the evolution of a firm's political strategizing.

## References

- Aggarwal, V. K. (2001). Corporate market and nonmarket strategies in Asia: A conceptual framework. *Business and Politics*, 3, 89-108.
- Aguilera, R. V., & Jackson, G. (2003). The cross-national diversity of corporate governance: Dimensions and determinants. *Academy of Management Review*, 28, 447-465.
- Albert, S., Ashforth, B. E., & Dutton, J. E. (2000). Organizational identity and identification: Charting new waters and building new bridges. *Academy of Management Review*, 25, 13-17.
- Albert, S., & Whetten, D. A. (1985). Organizational identity. In L. L. Cummings & B. M. Staw (Eds.), *Research in organizational behavior: An annual series of analytical essays and critical reviews* (pp. 263-295). Greenwich, CT: JAI.

- Aldrich, H. E., & Fiol, C. M. (1994). Fools rush in? The institutional context of industry creation. *Academy of Management Review*, 19, 645-670.
- Ambrosini, V., & Bowman, C. (2003). Managerial consensus and corporate strategy: Why do executives agree or disagree about corporate strategy? *European Management Journal*, 21, 213-221.
- Ashforth, B. E., & Mael, F. (1989). Social identity theory and the organization. *Academy of Management Review*, 14, 20-39.
- Barley, S. R., & Tolbert, P. S. (1997). Institutionalization and structuration: Studying the links between action and institution. *Organization Studies*, 18, 93-117.
- Baron, D. P. (1995). Integrated strategy: Market and nonmarket components. *California Management Review*, 37, 47-65.
- Baysinger, B. D. (1984). Domain maintenance as an objective of business political activity: An extended typology. *Academy of Management Review*, 9, 248-258.
- Beyers, J. (2004). Voice and access: Political practices of European interest associations. *European Union Politics*, 5, 211-240.
- Boddewyn, J. J. (2003). Understanding and advancing the concept of "nonmarket." *Business & Society*, 42, 297-327.
- Bouwen, P. (2002). Corporate lobbying in the European Union: The logic of access. *Journal of European Public Policy*, 9, 365-390.
- Brown, R. (2000). Social identity theory: Past achievements, current problems and future challenges. *European Journal of Social Psychology*, 30, 745-778.
- Calingaert, M. (1993). Government-business relations in the European community. *California Management Review*, 35, 118-133.
- Coen, D. (1997). The evolution of the large firm as a political actor in the European Union. *Journal of European Public Policy*, 4, 91-108.
- Cook, R. G., & Barry, D. (1995). Shaping the external environment: A study of small firms' attempts to influence public policy. *Business & Society*, 34, 317-344.
- Dahan, N. (2005). A contribution to the conceptualization of political resources utilized in corporate political action. *Journal of Public Affairs*, 5, 43-54.
- Dutton, J. E., & Dukerich, J. M. (1991). Keeping an eye on the mirror: Image and identity in organizational adaptation. *Academy of Management Journal*, 34, 517-554.
- Fiol, C. M. (1991). Managing culture as a competitive resource: An identity-based view of sustainable competitive advantage. *Journal of Management*, 17, 191-211.
- Fligstein, N. (1990). *The transformation of corporate control*. Cambridge, MA, London: Harvard University Press.
- Fligstein, N. (2001). *The architecture of markets, an economic sociology of twenty-first-century capitalist societies*. Princeton, NJ, Oxford, UK: Princeton University Press.
- Foreman, P., & Whetten, D. A. (2002). Members' identification with multiple-identity organizations. *Organization Science*, 13, 618-635.
- Getz, K. A. (1997). Research in corporate political action: Integration and assessment. *Business & Society*, 36, 32-72.
- Getz, K. A. (2002). Public affairs and political strategy: Theoretical foundations. *Journal of Public Affairs*, 1, 305-329.
- Giddens, A. (1979). *Central problems in social theory: Action, structure and contradiction in social analysis*. Basingstoke, UK: Macmillan.
- Giddens, A. (1984). *The constitution of society, Outline of the theory of structuration*. Cambridge, UK: Polity.
- Granovetter, M. (1985). Economic action and social structures: The problem of embeddedness. *American Journal of Sociology*, 91, 481-510.

- Greenwood, J. (1997). *Representing interests in the European Union*. Basingstoke, UK: Macmillan.
- Griffin, J. J. (2005). The empirical study of public affairs, A review and synthesis. In P. Harris & C. S. Fleiser (Eds.), *The handbook of public affairs* (pp. 458-480). London: Sage.
- Griffin, J. J., & Dunn, P. (2004). Corporate public affairs: Commitment, resources and structure. *Business & Society*, 43, 196-220.
- Hadjikhani, A., & Ghauri, P. N. (2001). The behaviour of international firms in socio-political environments in the European Union. *Journal of Business Research*, 52, 263-275.
- Hamel, G., & Prahalad, C. K. (1993). Strategy as stretch and leverage. *Harvard Business Review*, 71, 75-84.
- Hansen, W. L., & Mitchell, N. J. (2000). Disaggregating and explaining corporate political activity: Domestic and foreign corporations in national politics. *American Political Science Review*, 94, 891-903.
- Hart, D. A. (2004). "Business" is not an interest group: On the study of companies in American national politics. *Annual Review of Political Science*, 7, 47-69.
- Haslam, S. A., Postmes, T., & Ellemers, N. (2003). More than a metaphor: Organizational identity makes organizational life possible. *British Journal of Management*, 14, 357-369.
- Hatch, M. J., & Schultz, M. (2002). The dynamics of organizational identity. *Human Relations*, 55, 989-1018.
- Hillman, A. J., & Hitt, M. A. (1999). Corporate political strategy formulation: A model of approach, participation, and strategy decisions. *Academy of Management Review*, 24, 825-842.
- Hillman, A. J., & Keim, G. D. (1995). International variation in the business-government interface—Institutional and organizational considerations. *Academy of Management Review*, 20, 193-214.
- Hillman, A. J., Keim, G. D., & Schuler, D. A. (2004). Corporate political activity: A review and research agenda. *Journal of Management*, 30, 837-857.
- Howard-Grenville, J. A. (2005). The persistence of flexible organizational routines: The role of agency and organizational context. *Organization Science*, 16, 618-636.
- Jack, S. L., & Anderson, A. R. (2002). The effects of embeddedness on the entrepreneurial process. *Journal of Business Venturing*, 17, 467-487.
- Keillor, B. D., Pettijohn, C. E., & Bashaw, R. E. (2000). Political activities in the global industrial marketplace. *Industrial Marketing Management*, 29, 613-622.
- Knoke, D. (1990). *Organizing for collective action: The political economies of associations*. New York: De Gruyter.
- Lamberg, J.-A., Skippari, M., Eloranta, J., & Mäkinen, S. (2004). The evolution of corporate political action: A framework for processual analysis. *Business & Society*, 43, 335-365.
- Lawrence, T. B. (1999). Institutional strategy. *Journal of Management*, 25, 161-187.
- Lord, M. D. (2003). Constituency building as the foundation for corporate political strategy. *Academy of Management Executive*, 17, 112-124.
- Mahon, J. F., & McGowan, R. A. (1998). Modelling industry political dynamics. *Business & Society*, 37, 390-413.
- March, J. G. (1962). The business firm as a political coalition. *Journal of Politics*, 24, 662-678.
- Marchington, M., & Vincent, S. (2004). Analysing the influence of institutional, organisational and interpersonal forces in shaping inter-organizational relations. *Journal of Management Studies*, 41, 1029-1056.
- Martin, C. J. (1995). Nature or nurture? Sources of firm preference for national health reform. *American Political Science Review*, 89, 898-913.



- Martin, C. J. (2002). *Consider the source! Determinants of corporate preferences for public policy* (SPP Working Paper Series). London: University College London.
- Mayntz, R. (1997). Corporate actors in public policy. In R. Mayntz (Ed.), *Soziale Dynamik und politische Steuerung, Theoretische und methodologische Überlegungen* (pp. 168-185). Frankfurt, a.M., New York: Campus.
- Mayntz, R., & Scharpf, F. W. (1995). Der Ansatz des akteurzentrierten Institutionalismus [The approach of actor-centered institutionalism]. In R. Mayntz & F. W. Scharpf (Eds.), *Gesellschaftliche Selbstregelung und politische Steuerung* (pp. 39-72). Frankfurt, a.M., New York: Campus.
- McWilliams, A., Van Fleet, D. D., & Cory, K. D. (2002). Raising rivals' costs through political strategy: An extension of resource-based theory. *Journal of Management Studies*, 39, 707-723.
- Meyer, A. D., Tsui, A. S., & Hinings, C. R. (1993). Configurational approaches to organizational analysis. *Academy of Management Journal*, 36, 1175-1195.
- Mitchell, N. J., Hansen, W. L., & Jepsen, E. M. (1997). The determinants of domestic and foreign corporate political activity. *Journal of Politics*, 59, 1096-1113.
- Oberman, W. D. (1993). Strategy and tactic choice in an institutional resource context. In B. M. Mitnick (Ed.), *Corporate political agency, the construction of competition in public affairs* (pp. 213-241). Newbury Park, CA: Sage.
- Oliver, C. (1997). Sustainable competitive advantage: Combining institutional and resource-based views. *Strategic Management Journal*, 18, 697-713.
- Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A resource dependence perspective*. New York: Harper & Row.
- Pozzebon, M. (2004). The influence of a structurationist view on strategic management research. *Journal of Management Studies*, 41, 247-272.
- Scharpf, F. W. (1997). *Games real actors play, Actor-centered institutionalism in policy research*. Boulder, CO, Oxford, UK: Westview.
- Schuler, D. A., & Rehbein, K. A. (1997). The filtering role of the firm in corporate political involvement. *Business & Society*, 36, 116-139.
- Scott, S. G., & Lane, V. R. (2000). A stakeholder approach to organizational identity. *Academy of Management Review*, 25, 43-62.
- Skippari, M. (2005). *Evolutionary patterns in corporate political activity: Insights from a historical single case study*. Doctoral dissertation, Tampere University of Technology, Tampere, Finland.
- Svenningsson, S., & Alvesson, M. (2003). Managing managerial identities: Organizational fragmentation, discourse and identity struggle. *Human Relations*, 56, 1163-1193.
- Taminiau, Y., & Wilts, A. (2006). Corporate lobbying in Europe, managing knowledge and information strategies. *Journal of Public Affairs*, 6, 122-130.
- Whitley, R. (2003). The institutional structuring of organizational capabilities: The role of authority sharing and organizational careers. *Organizational Studies*, 24, 667-695.
- Wilson, K., & Millman, T. (2003). The global account manager as political entrepreneur. *Industrial Marketing Management*, 32, 151-158.
- Yoffie, D. B., & Bergenstein, S. (1987). Creating political advantage: The rise of the corporate political entrepreneur. *California Management Review*, 28, 124-139.

**Arnold Wilts** is an assistant professor of strategic management in the Department of Public Administration and Organization Science at the Free University in Amsterdam. His research focuses on questions of organized business interests and corporate political action.